

QUARTERLY REPORT

LICENSEE HARRAH'S CASINO HOTEL , ATLANTIC CITY
ADDRESS 777 HARRAH'S BLVD.
ATLANTIC CITY, N.J. 08401

FOR THE QUARTER ENDED DECEMBER 31, 2005

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY

NAME OF OFFICER IN
CHARGE OF
CORRESPONDENCE
REGARDING THIS
QUARTERLY REPORT

Mark Sachais

OFFICIAL TITLE

Vice President of Finance

ADDRESS

777 HARRAH'S BLVD.

ATLANTIC CITY, N.J. 08401

STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005 AND 2004

(UNAUDITED)
(\$ IN THOUSANDS)

(a) LINE	(b) DESCRIPTION	2005	2004
	Revenue:		
1	Casino	\$ 471,096	\$ 445,074
2	Rooms	49,386	48,945
3	Food and Beverage	53,884	53,298
4	Other	12,294	8,496
5	Total revenue	586,660	555,813
6	Less: Promotional Allowance (Note 2)	140,009	135,244
7	Net revenue	446,651	420,569
	Costs and Expenses:		
8	Cost of goods and services	220,748	209,738
9	Selling, general, and administrative	49,006	48,596
10	Provision for doubtful accounts	353	335
11	Total costs and expenses	270,107	258,669
12	Gross Operating Profit	176,544	161,900
13	Depreciation and amortization	37,515	34,274
	Charges from affiliates other than interest:		
14	Management Fees	0	0
15	Other (Note 3)	13,739	11,980
16	Income (Loss) from Operations	125,290	115,646
	Other Income (Expenses):		
17	Interest (expense) - affiliates (Note 9)	(52,009)	(52,000)
18	Interest (expense) - external	0	0
19	Investment alternative tax and related income (expense) - net	(2,635)	(3,310)
20	Nonoperating Income (expense) - net	(88)	261
21	Total other income (expenses)	(54,732)	(55,049)
22	Income (Loss) Before Income Taxes and Extraord. Items	70,558	60,597
23	Provision (credit) for income taxes (Note 2)	7,800	8,099
24	Income (Loss) Before Extraordinary Items	62,758	52,498
25	Extraordinary items (net of income taxes - 2005, \$0; 2004, \$0)	0	0
26	Net Income (Loss)	\$ 62,758	\$ 52,498

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2005 AND 2004

(UNAUDITED)
(\$ IN THOUSANDS)

(a) LINE	(b) DESCRIPTION	2005	2004
	Revenue:		
1	Casino	\$115,573	\$99,470
2	Rooms	12,000	11,328
3	Food and Beverage	13,409	11,817
4	Other	2,450	2,333
5	Total revenue	143,432	124,948
6	Less: Promotional Allowance (Note 2)	34,041	29,598
7	Net revenue	109,391	95,350
	Costs and Expenses:		
8	Cost of goods and services	55,242	47,903
9	Selling, general, and administrative	13,612	15,768
10	Provision for doubtful accounts	112	235
11	Total costs and expenses	68,966	63,906
12	Gross Operating Profit	40,425	31,444
13	Depreciation and amortization	9,645	8,921
	Charges from affiliates other than interest:		
14	Management Fees	0	0
15	Other (Note 3)	3,699	2,845
16	Income (Loss) from Operations	27,081	19,678
	Other Income (Expenses):		
17	Interest (expense) - affiliates (Note 9)	(13,009)	(13,000)
18	Interest (expense) - external	0	0
19	Investment alternative tax and related income	(501)	(799)
	(expense) - net		
20	Nonoperating Income (expense) - net	98	(548)
21	Total other income (expenses)	(13,412)	(14,347)
22	Income (Loss) Before Income Taxes and Extraord. Items	13,669	5,331
23	Provision (credit) for income taxes (Note 2)	1,634	243
24	Income (Loss) Before Extraordinary Items	12,035	5,088
25	Extraordinary items (net of income taxes - 2005, \$0; 2004, \$0)	0	0
26	Net Income (Loss)	\$12,035	\$5,088

The accompanying notes are an integral part of the financial statements.
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STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	Description (b)	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2003	\$165,954	\$115,239	\$0	\$281,193
2	Net Income - 2004		52,498		\$52,498
3	Capital Contributions				
4	Capital Withdrawals				\$0
5	Partnership Distributions				
6	Prior Period Adjustments				\$0
7					
8					
9					
10	Balance, December 31, 2004	165,954	167,737	0	333,691
11	Net Income - 2005		62,758		\$62,758
12	Capital Contributions				
13	Capital Withdrawals				\$0
14	Partnership Distributions				
15	Prior Period Adjustments				\$0
16					
17					
18					
19	Balance, December 31, 2005	\$165,954	\$230,495	\$0	\$396,449

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE

HARRAH'S CASINO HOTEL, ATLANTIC CITY

STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005 AND 2004

(UNAUDITED)
(\$ IN THOUSANDS)

(a) LINE	(b) DESCRIPTION	(c) 2005	(d) 2004
1	Net Cash Provided (Used) by Operating Activities	\$ 41,241	\$ 77,054
	Cash Flows from Investing Activities:		
2	Purchase of short-term investment securities	0	0
3	Proceeds from the sale of short-term investment securities	0	0
4	Cash outflows for property and equipment	(41,825)	(73,409)
5	Proceeds from disposition of property and equipment	362	317
6	Purchase of casino reinvestment obligations	(5,745)	(5,693)
7	Purchase of other investments and loan advances made	0	0
8	Proceeds from disposal of investments and collection of advances and long-term receivables	2,759	2,583
9	Cash outflows to acquire business entities	0	0
10	Write Off Abandoned Projects	421	0
11		0	0
12	Net Cash Provided (Used) by Investing Activities	(44,028)	(76,202)
	Cash Flows from Financing Activities:		
13	Cash proceeds from issuance of short-term debt	0	0
14	Payments to settle short-term debt	0	0
15	Cash proceeds from issuance of long-term debt	0	0
16	Costs of issuing debt	0	0
17	Payments to settle long-term debt	0	0
18	Cash proceeds from issuing stock or capital contributions	0	0
19	Purchases of treasury stock	0	0
20	Payments of dividends or capital withdrawals	0	0
21	Transfer to Affiliates	0	0
22			
23	Net Cash Provided (Used) by Financing Activities	0	0
24	Net Increase (Decrease) in Cash and Cash Equivalents	(2,787)	852
25	Cash and Cash Equivalents at Beginning of Period	43,969	43,117
26	Cash and Cash Equivalents at End of Period	\$ 41,182	\$ 43,969
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
	Cash Paid During Period for:		
27	Interest (net of amount capitalized)	\$ 52,000	\$ 41,796
28	Income Taxes	\$ 10,158	\$ 9,742

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE

HARRAH'S CASINO HOTEL, ATLANTIC CITY

STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005 AND 2004

(UNAUDITED)
(\$ IN THOUSANDS)

(a) LINE	(b) DESCRIPTION	(c) 2005	(d) 2004
	Net Cash Flows From Operating Activities:		
29	Net Income (loss)	\$ 62,758	\$ 52,498
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property & equipment	37,509	34,272
31	Amortization of other assets	6	2
32	Amortization of debt discount or premium	0	0
33	Deferred income taxes - current	(250)	(339)
34	Deferred income taxes - noncurrent	(689)	1,965
35	(Gain) loss on disposition of property & equipment	(172)	185
36	(Gain) loss on casino reinvestment obligation	0	0
37	(Gain) loss from other investment activities	0	0
38	Net (increase) decrease in receivables and patrons checks	(9,129)	(345)
39	Net (increase) decrease in inventories	37	83
40	Net (increase) decrease in other current assets	3,265	(3,446)
41	Net (increase) decrease in other assets	1,675	2,018
42	Net increase (decrease) in accounts payables	(4,018)	11,081
43	Net increase (decrease) in other current liabilities excluding debt	1,518	51,581
44	Net increase (decrease) in other noncurrent liabilities excluding debt	152	(223)
45	Net (increase) decrease in other receivables or advances	(51,421)	(72,278)
46			
47	Net Cash Provided (Used) by Operating Activities	\$ 41,241	\$ 77,054
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION			
	Aquisition of Property and Equipment:		
48	Additions to property and equipment	\$ 41,825	\$ 73,409
49	Less: capital lease obligations incurred	0	0
50	Cash Outflows for Property and Equipment	\$ 41,825	\$ 73,409
	Acquisition of Business Entities:		
51	Property and equipment acquired	\$	\$
52	Goodwill Acquired		
53	Net assets acquired other than cash, goodwill, and property and equipment		
54	Long-term debt assumed		
55	Issuance of stock or capital invested		
56	Cash Outflows To Acquire Business Entities	\$	\$
	Stock Issued or Capital Contributions:		
57	Total issuance of stock or capital contributions	\$	\$
58	Less: issuances to settle long-term debt, and		
59	Consideration in acquisition of business entities		
60	Cash Proceeds from Issuing Stock or Capital Contributions	\$	\$

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

Marina Associates and Subsidiary (the "Partnership") operates as a General Partnership and owns and operates a casino hotel resort located in the Marina District of Atlantic City, New Jersey known as Harrah's Casino Hotel Atlantic City. The Partnership is an indirect, wholly-owned subsidiary of Harrah's Operating Company, Inc. ("HOC"), which is a direct wholly-owned subsidiary of Harrah's Entertainment, Inc. ("Harrah's"). A substantial portion of the Partnership's revenues is derived from gaming and supporting hotel operations.

The Partnership is licensed to operate the facility by the New Jersey Casino Control Commission (the "CCC") and is subject to rules and regulations established by the CCC. The Partnership's license is subject to renewal every four years with the current license expiring in April 2008.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The accompanying consolidated financial statements include the account balances of the Partnership and its wholly-owned subsidiary, Reno Crossroads LLC ("Reno"). As a result, all material intercompany transactions and balances have been eliminated in consolidation.

Allowance for Doubtful Accounts - The Partnership reserves an estimated amount for receivables that may not be collected. The methodology for estimating the allowance includes using specific reserves and applying various percentages to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific allowances. As with many estimates, management must make judgments about potential actions by third parties in establishing and evaluating the allowance for bad debts.

Inventories - Inventories of provisions and supplies are valued at the lower of average cost, or market.

Land, Buildings and Equipment - Land, buildings, and equipment are stated at cost, including capitalized interest on intercompany funds used to finance construction calculated at Harrah's overall weighted-average borrowing rate of interest.

Improvements and repairs that extend the life of the asset are capitalized. Building improvements are depreciated over the remaining life of the building. Maintenance and repairs are expensed as incurred.

Depreciation is provided using the straight-line method over the shorter of the estimated useful life of the asset or the related lease term, as follows:

Land improvements	12 years
Buildings and improvements	30 to 40 years
Furniture, fixtures and equipment	3 to 12 years

The Partnership reviews the carrying value of land, buildings and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the asset. The factors considered by the Partnership in performing this

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
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assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition and other economic factors.

Investments in Subsidiaries - During 1999, the Partnership, through its wholly owned subsidiary Reno Crossroads LLC ("Reno"), acquired a parcel of land in Reno, Nevada for approximately \$10,325. The existing facilities located on the parcel site were demolished and a new plaza was constructed on the site at a cost of approximately \$2,365. On February 1, 2000, Reno entered into an agreement to lease this parcel of land to HOC for a period of twenty years at a fixed rent of \$1,120 per year.

Financial Instruments - The carrying amount of receivables and all current liabilities approximates fair value due to their short-term nature. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. After giving effect to their allowances, the Casino Reinvestment Development Authority ("CRDA") bonds and deposits approximately reflect their fair value based upon their below market interest rates. The carrying amount of long-term debt is estimated to approximate its fair value as the stated rates approximate current rates

CRDA Real Estate Project - The Partnership's investment in its CRDA real estate project (the "Project") consists of various townhomes, an apartment building and a retail store outlet in the northeast section of Atlantic City, NJ. Based upon an agreement with the CRDA, the Partnership may sell certain parts of the Project and will operate certain other parts for a period of up to 20 years.

Income or loss from the operation of the Project is included in the results of operations. Buildings are being depreciated using the straight-line method based on an estimated useful life of 27.5 years.

Revenue Recognition - Casino revenues consist of the net win from gaming activities, which is the difference between gaming wins and losses. Food, beverage, rooms and other revenues include the aggregate amounts generated by those departments.

Rewards Program - Our customer loyalty program, Total Rewards, offers incentives to customers who gamble at certain of our casinos throughout the United States. Under the program, customers are able to accumulate, or bank, Reward Credits over time that they may redeem at their discretion under the terms of the program. The Reward Credit balance will be forfeited if the customer does not earn a Reward Credit over the prior six-month period. As a result of the ability of the customer to bank the Reward Credits, we accrue the expense of Reward Credits, after consideration of estimated breakage, as they are earned. The value of the cost to provide Reward Credits is expensed as the Reward Credits are earned and is included in Casino expense on our Consolidated Statements of Income. To arrive at the estimated cost associated with Reward Credits, estimates and assumptions are made regarding incremental marginal costs of the benefits, breakage rates and the mix of goods and services for which Reward Credits will be redeemed. We use historical data to assist in the determination of estimated accruals. At December 31, 2005 and 2004, \$4,234 and \$2,742 million, respectively, was accrued for the cost of anticipated Total Rewards credit redemptions.

In addition to Reward Credits, customers can earn points based on play that are redeemable in cash ("cash-back points"). We accrue the cost of cash-back points, after consideration of estimated breakage, as they are earned. The cost is recorded as contra-revenue and included in Casino promotional allowances on our Consolidated Statements of Income. At December 31, 2005 and 2004, the liability related to outstanding cash-back points, which is based on historical redemption activity, was \$1,173 and \$920 million, respectively.

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

Casino Promotional Allowances - Casino promotional allowances consist of the retail value of complimentary food and beverages, accommodations, admissions and entertainment provided to casino patrons. Also included is the value of the coupons redeemed for cash at the property. The estimated costs of providing such complimentary services are classified as casino expenses in the accompanying statements of income. These costs consisted of the following at December 31:

	<u>2005</u>	<u>2004</u>
Food and beverage	\$ 25,814	\$ 22,922
Rooms	13,939	13,615
Other	5,357	3,366
Other Cash Complimentaries	<u>53,675</u>	<u>52,979</u>
	<u>\$ 98,785</u>	<u>\$ 92,882</u>

Income Taxes - The accompanying consolidated financial statements do not include a provision for federal income taxes, since any income or losses allocated to the partners are reportable for federal income tax purposes by each partner.

In accordance with regulations prescribed by the New Jersey Casino Control Act, the Partnership files a state income tax return on behalf of the partners. Accordingly, the accompanying consolidated financial statements include a provision for state income taxes.

Deferred tax assets and liabilities represent the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in existing tax rates is recognized as an increase or decrease to the tax provision in the period that includes the enactment date.

Use of Estimates - The preparation of these financial statements in conformity with generally accepted accounting principles requires the Partnership to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Reclassifications - Certain prior year balances have been reclassified to conform to the current year presentation.

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 3 - RELATED PARTY TRANSACTIONS

The Partnership participates with HOC and its other subsidiaries in marketing, purchasing, insurance, employee benefit and other programs that are defined and negotiated by HOC on a consolidated basis. The Partnership believes that participating in these consolidated programs is beneficial in comparison to the terms for similar programs that it could negotiate on a stand-alone basis.

Certain of the more significant intercompany relationships between the Partnership and HOC are discussed in this footnote.

Cash Activity with HOC and Affiliates - The Partnership transfers cash in excess of its operating and regulatory needs to HOC on a daily basis. Cash transfers from HOC to the Partnership are also made based upon the needs of the Partnership to fund daily operations, including accounts payable and payroll, as well as capital expenditures. No interest is earned on the amount shown as due from affiliates, net, in the accompanying consolidated financial statements.

Employee Benefit Plans - HOC maintains a defined contribution savings and retirement plan in which the nonunion employees of the Partnership may participate. The plan, among other things, provides for pre-tax and after-tax contributions by employees. Under the plan, participating employees may elect to contribute up to 50 percent of their eligible earnings. The employer matches 50 percent of the first six percent of employees' contributions. Amounts contributed to the plan are invested, at the participant's direction, in up to 14 separate funds, including a Harrah's company stock fund. The Partnership's contribution expense totaled \$1,228 and \$1,215 in 2005 and 2004, respectively. Participants become vested in the matching contributions over five years of credited service.

HOC also maintains deferred compensation plans, stock option plans and an Executive Supplemental Savings Plan, under which certain employees of the partnership may defer a portion of their compensation. The expenses charged by HOC to the Partnership for its employees' participation in these programs are included in the administrative and other services charge discussed below.

Certain employees of the Partnership are covered by union-sponsored, collectively bargained multi-employer pension plans ("the Pension Plans"). The Partnership's contribution expense totaled \$2,036 and \$1,852 in 2005 and 2004, respectively. The Pension Plan's administrators do not provide sufficient information to enable the Partnership to determine their share, if any, of unfunded vested benefits.

Administrative and Other Services - The Partnership is charged a fee by HOC for administrative and other services (including consulting, legal, marketing, information technology, accounting and insurance). The Partnership was charged \$13,379 and \$11,980 for these services for the twelve months ended December 31, 2005 and 2004, respectively and \$ 3,699 and \$ 2,845 for three months ended December 31, 2005 and 2004 respectively. The fee is included in changes from affiliates in the accompanying consolidated statements of income.

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 4 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid Expenses and Other Current Assets as of December 31 consisted of the following:

	<u>2005</u>	<u>2004</u>
Prepaid State Income Tax	744	5,954
Prepaid Air Charters	4,093	2,826
Prepaid Deferred State Income Tax	2,029	1,779
Prepaid Taxes	1,037	1,077
Prepaid Marketing	1,505	771
Prepaid Other	203	245
Prepaid Insurance	164	138
	<u>\$ 9,775</u>	<u>\$12,790</u>

NOTE 5 - INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, Advances and Receivables as of December 31, consisted of the following:

	<u>2005</u>	<u>2004</u>
Due from Affiliates	\$ 554,038	\$ 501,307
Casino Reinvestment Development Authority obligation deposits - Net of Valuation Allowance of \$2,947 and \$1,228 at December 31, 2005 and 2004, respectively	10,619	9,049
Casino Reinvestment Development Authority Bonds - Net of Valuation Allowance of \$3,821 and \$3,747 at December 31, 2005 and 2004, respectively	4,272	4,263
Other	433	336
Notes Receivable	0	0
	<u>\$569,362</u>	<u>\$514,955</u>

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

Due from Affiliates as of December 31 consisted of the following unsecured, non-interest bearing intercompany amounts:

	<u>2005</u>	<u>2004</u>
Harrah's New Jersey, Inc.	\$ 18,962	\$ 18,962
I/C- Embassy Suites	509,429	459,086
Northeast Regional Office	3,961	4,940
Harrah's Lake Tahoe	132	132
Embassy Suites, Inc.	1,940	1,940
Harrah's Del Rio	185	184
Harrah's Reno	6,376	5,284
Harrah's Las Vegas	-	53
Bill's Casino	111	111
Harrah's Vicksburg	23	23
Harrah's Joliet	342	325
Harrah's New Orleans	1	1
Harrah's Shreveport	1	6
Harrah's St. Louis	74	74
Harrah's North Kansas City	-	47
Harrah's Cherokee	762	717
Harrah's Prairie Band	8	(2)
Showboat Atlantic City	10,013	8,663
Harrah's Tunic	225	6
Harrah's Ak Chin	42	13
Harrah's East Chicago	729	629
Caesar's	512	-
Bally's	115	-
Harvey's	47	66
Harrah's Gold Card	47	47
	<u>\$554,037</u>	<u>\$501,307</u>

NOTE 6 – LAND, BUILDINGS AND EQUIPMENT

Land, Buildings and Equipment as of December 31 consisted of the following:

	<u>2005</u>	<u>2004</u>
Land and Land Improvements	\$ 93,179	\$ 93,065
Buildings, Leaseholds and Improvements	564,077	539,787
Furniture, Fixtures and Equipment	188,651	182,164
Construction in Progress	19,278	21,386
	865,185	836,402
Less Accumulated Depreciation	(334,582)	(309,504)
Property and Equipment, Net	<u>\$530,603</u>	<u>\$526,898</u>

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 7 - OTHER ASSETS

Other Assets as of December 31 consisted of the following:

	<u>2005</u>	<u>2004</u>
Deposits	\$ 41	\$ 41
Deferred Other	15	15
Long-term Portion of Prepaid Insurance	57	97
Long-term Portion of Prepaid Other	-	-
Deferred and Prepaid CRDA Obligations	<u>6,383</u>	<u>8,024</u>
	<u>\$ 6,496</u>	<u>\$ 8,177</u>

NOTE 8 - OTHER ACCRUED EXPENSES

Other Accrued Expenses as of December 31 consisted of the following:

	<u>2005</u>	<u>2004</u>
Accrued Salaries, Wages and Benefits	\$8,229	\$ 7,529
Taxes Payable	3,572	3,290
Accrued In-House Progressive Slot Liability	403	237
Accrued City Wide Progressive Slot Liability	399	313
Accrued Interest, Long-term debt	52,000	52,000
Accrued Casino Control Commission / Department		
Gaming Enforcement Casino License Fees	336	582
Other Accrued Expenses	<u>8,319</u>	<u>7,902</u>
	<u>\$73,258</u>	<u>\$71,853</u>

NOTE 9 - LONG-TERM DEBT

Long-term Debt as of December 31 consisted of the following:

	<u>2005</u>	<u>2004</u>
Promissory Note	<u>\$650,000</u>	<u>\$650,000</u>

On October 31, 2001, the Partnership and HOC consummated a promissory note for \$650,000. All principal and interest outstanding on the promissory note is due and payable on demand to HOC. Interest is computed on an annual basis using 360 days for the actual number of days elapsed during a year, and an annual rate of 8%. Any amount of principal not paid by the Partnership to HOC when due will bear an additional 2% annual interest rate. As of December 31, 2005 and 2004, there was accrued interest of \$52,000 and \$52,000, respectively, on the balance sheet related to the intercompany note. Prior to December 31, 2003 accrued interest was paid by the Partnership on a monthly basis. During 2004 the methodology was changed to pay accrued interest on an annual basis. On March 12, 2003 the 8% Promissory Note was assigned to Harrah's Entertainment Limited. Neither the term nor the amount of the debt was affected by this assignment.

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 10 - OTHER LIABILITIES

Other Liabilities as of December 31 consisted of the following:

	<u>2005</u>	<u>2004</u>
Due to Affiliates, Long-term	\$40,210	\$39,806
Other	<u>1,051</u>	<u>1,303</u>
	<u>\$41,261</u>	<u>\$41,109</u>

Due to Affiliates at December 31 consisted of the following unsecured, non-interest bearing inter-company accounts:

	<u>2005</u>	<u>2004</u>
Harrah's Holdings, Inc.,	\$ 603	\$ 603
Harrah's Atlantic City, Inc.	38,855	38,855
Harrah's Kansas City	44	-
Harrah's Las Vegas	396	-
Harrah's Jazz Casino	20	56
Harrah's Holiday Inns of New Jersey, Inc.	<u>292</u>	<u>292</u>
	<u>\$40,210</u>	<u>\$39,806</u>

NOTE 11 - LEASES

The Partnership has operating leases for a storage warehouse, parking areas and computer equipment. These leases have various expiration dates through 2009. Rental expense for the years ended December 31, 2005 and 2004 was \$3,012 and \$3,674, respectively.

Future minimum lease payments due under these leases are as follows:

2006	886
2007	271
2008	112
Thereafter	<u>37</u>
	<u>\$ 1,306</u>

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NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 12 – STATE INCOME TAXES

The provision for income taxes consisted of the following at December 31:

	<u>2005</u>	<u>2004</u>
State:		
Current	8,739	6,473
Deferred	<u>(939)</u>	<u>1,626</u>
Provision for income taxes	<u>\$ 7,800</u>	<u>\$8,099</u>

The components of the Partnership's net deferred state income tax liability included in the balance sheets were as follows as of December 31:

	<u>2005</u>	<u>2004</u>
<u>Deferred tax assets:</u>		
Allowance for doubtful accounts	77	66
Self-insurance reserves	15	1
Accrued compensation and related benefits	264	286
Grantor trusts	1,276	1,408
Land	978	978
CRDA Investment	1,633	1,403
Other	<u>40</u>	<u>23</u>
Total deferred state tax assets	<u>\$ 4,283</u>	<u>\$4,165</u>
 <u>Deferred tax liabilities:</u>		
Land, buildings and equipment	(5,536)	(6,468)
Other	<u>(356)</u>	<u>(245)</u>
Total deferred state tax liabilities	<u>(5,892)</u>	<u>(6,713)</u>
 Net deferred state tax liability	<u>\$(1,609)</u>	<u>\$(2,548)</u>

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Litigation - The Partnership is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, these matters will not have a material effect on the Partnership's financial position or results of operations.

Insurance Reserve - The Partnership is self-insured for various levels of general liability coverage. Insurance claims and reserves include the accrual of estimated settlements for known and anticipated claims. Accrued expenses and other current liabilities in the accompanying balance sheets includes insurance allowances of \$75 and \$251 as of December 31, 2005 and 2004, respectively. Actual results may differ from these reserve amounts.

CRDA Investment Obligation - The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Partnership may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the CRDA. Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to 50 years and bear interest at below market rates. The Partnership includes CRDA investment bonds and funds on deposit in deferred charges and other non-current assets in the accompanying balance sheets totaling \$10,619 and \$4,272, respectively, at December 31, 2005 and \$4,263 and \$8,713, respectively, at December 31, 2004. The Partnership records charges to operations to reflect the estimated net realizable value of its CRDA investment.

To satisfy current Atlantic City obligations as well as those projected beyond the year 2003, the Partnership received approval from the CRDA for a qualified direct investment project to construct various townhomes, an apartment building and a retail store outlet in the northeast section of Atlantic City ("CRDA real estate project") at an estimated cost to the Partnership of approximately \$54,573. As of December 31, 2005 and 2004, approximately \$6,044 and \$8,024, respectively, represents a prepayment of the Partnership's future obligations to the CRDA related to the CRDA real estate project. The prepaid asset is being amortized over the related Atlantic City obligation period and is included in deferred charges and other non-current assets in the accompanying balance sheets.

The Partnership has committed \$11,986 of its current and future CRDA deposit obligations for the refurbishment of the Atlantic City Convention Center. The amount was to be amortized on a straight-line basis over a 15-year period commencing September 2001. At December 31, 2005 and 2004, approximately \$322 and \$337, respectively, of additional funds have been earmarked for the refurbishment and included in the deferred charges and other noncurrent assets balance on the balance sheets.

SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	473,071	\$ 41,205	-	\$ -
2	Food	2,113,975	21,140	-	-
3	Beverage	6,407,192	16,018	-	-
4	Travel	-	-	99,175	9,818
5	Bus Program Cash	171,350	1,713	-	-
6	Other Cash Complimentaries	4,346,824	54,334	-	-
7	Entertainment	219,350	4,387	-	-
8	Retail & Non-Cash Gifts	242,403	1,212	250,654	1,253
9	Parking	-	-	-	-
10	Other	-	-	-	-
11	Total	13,974,165	\$ 140,009	349,829	\$ 11,071


FOR THE THREE MONTHS ENDED DECEMBER 31, 2005

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	120,494	\$ 10,495	-	\$ -
2	Food	543,070	5,431	-	-
3	Beverage	1,596,392	3,991	-	-
4	Travel	-	-	24,549	2,430
5	Bus Program Cash	18,010	180	-	-
6	Other Cash Complimentaries	1,043,896	13,048	-	-
7	Entertainment	27,500	550	-	-
8	Retail & Non-Cash Gifts	69,200	346	70,783	354
9	Parking	-	-	-	-
10	Other	-	-	-	-
11	Total	3,418,562	\$ 34,041	95,332	\$ 2,784

HARRAH'S CASINO HOTEL ATLANTIC CITY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands)

STATEMENTS OF CONFORMITY, ACCURACY AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this Quarterly Report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.


Signature

Vice President of Finance
Title

006908-11
License Number

On Behalf of:

Marina Associates
Casino Licensee

CCC-249

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

LICENSEE

HARRAH'S CASINO HOTEL , ATLANTIC CITY

ADDRESS

777 HARRAH'S BLVD.

ATLANTIC CITY, N.J. 08401

FOR THE YEAR ENDED DECEMBER 31, 2005

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE OF
CORRESPONDENCE REGARDING THIS
QUARTERLY REPORT

MARK SACHAIS

OFFICIAL TITLE

VICE PRESIDENT OF FINANCE

ADDRESS

777 HARRAH'S BLVD.

ATLANTIC CITY, N.J. 08401

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

December 31, 2005

(UNAUDITED)

(\$ IN THOUSANDS)

Accounts Receivable Balances

E	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE (e) NET OF ALLOWANCE
1	Patrons' Checks			
	Undeposited patrons' checks	\$ 4,153		
2	Returned patrons' checks	1,646		
3	Total patrons' checks	5,799	\$ 679	\$ 5,120
4	Hotel Receivables	345	181	164
5	Other Receivables:			
	Receivables due from officers and employees	4		
6	Receivables due from affiliates	0		
7	Other accounts and notes receivable	9,990		
8	Total other receivables	9,994	0	9,994
9	Totals (Form 205)	\$ 16,138	\$ 860	\$ 15,278

UNDEPOSITED PATRON'S CHECKS ACTIVITY

NE	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1)	\$ 3,034
11	Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits)	110,772
12	Checks redeemed prior to deposit (excluding the unredeemed portion of counter checks redeemed through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits)	(50,256)
13	Checks collected through deposits	(56,026)
14	Checks transferred to returned checks	\$ (3,370)
15	Other adjustments	\$ 0
16	Ending Balance . . . (Includes Foreign credit)	\$ 4,153
17	"Hold" Checks Included in Balance on Line 16	\$ 0
18	Provision for Uncollectible Patrons' Checks	\$ (100)
19	Provision as a Percent of Counter Checks Issued	-0.1%

CCC-340

/86

Under penalties of perjury, I declare that I have examined this Schedule of Receivables and Patrons' Checks and to the best of my knowledge and belief, it is true and complete.

03/31/2006

Date

Signature

Vice President of Finance

Title

ANNUAL EMPLOYMENT AND PAYROLL REPORT

LICENSEE

HARRAH'S CASINO HOTEL , ATLANTIC CITY

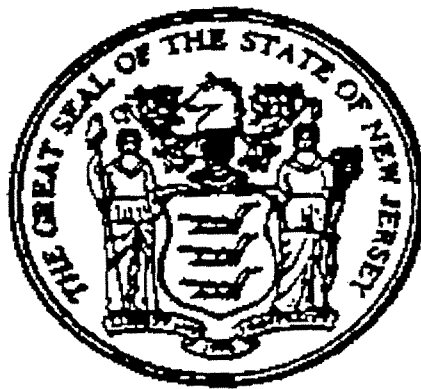
ADDRESS

777 HARRAH'S BLVD.

ATLANTIC CITY, N.J. 08401

FOR THE YEAR ENDED DECEMBER 31, 2005

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY



NAME OF OFFICER IN CHARGE OF
CORRESPONDENCE REGARDING THIS
QUARTERLY REPORT

Mark Sachais

OFFICIAL TITLE

VICE PRESIDENT OF FINANCE

ADDRESS

777 HARRAH'S BLVD.

ATLANTIC CITY, N.J. 08401

ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2005

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	NUMBER OF (c) EMPLOYEES	SALARIES AND WAGES		
			(d) OTHER EMPLOYEES	(e) OFFICERS & OWNERS	(f) TOTALS
	CASINO				
1	Administration				
2	Gaming	592			
3	Slots	144			
4	Casino Accounting	35			
5	Other	343			
6	Total - casino	1,114	\$ 30,868	\$ 123	\$ 30,991
7	ROOMS	402	8,494	240	8,734
8	FOOD AND BEVERAGE	757	15,634	129	15,762
	OTHER OPERATED DEPARTMENTS				
9					
10	Cafeteria	13	1,074	0	1,074
11	Communications	17	183	0	183
12	Gift Shop	10	279	0	279
13			0	0	0
14					0
15					0
16					0
..19					0
	ADMINISTRATIVE AND GENERAL				
20	Executive office	7	152	648	801
21	Accounting and auditing	24	855	176	1,031
22	Security	104	3,130	0	3,130
23	Other administrative and general department	177	4,042	81	4,123
24	MARKETING	4	220	81	301
25	GUEST ENTERTAINMENT	70	1,430	0	1,430
26	PROPERTY OPERATION AND MAINTENANCE	245	9,224	0	9,224
27	TOTALS - ALL DEPARTMENTS	2,944	\$ 75,585	\$ 1,477	\$ 77,062

CCC-376

TRADING NAME OF LICENSE - HARRAH'S CASINO HOTEL, ATLANTIC CITY

ANNUAL EMPLOYMENT AND PAYROLL REPORT

SIGNATURE PAGE

FOR THE YEAR ENDED DECEMBER 31, 2005

Under penalties provided by law, I declare that I have examined this report, and to the best of my knowledge and belief, it is true and complete.

A handwritten signature in black ink, appearing to read "Mark S. Smith", written over a horizontal line.

Signature

March 31, 2006

Date

Vice President of Finance

Title

Amended
4/24/06

TRADING NAME OF LICENSEE: HARRAH'S CASINO HOTEL

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 2005

Revised - 04/14/2006

Line

CASINO WIN:	
1. Table and Other Games Win.....	\$ 53,298,620
2. Slot Machines Win.....	422,955,800
3. Total Win.....	476,254,420
4. Recovery for Uncollectible Patrons' Checks.....	
5. Gross Revenue (line 3 plus line 4).....	476,254,420
6. Tax on Gross Revenue - Reporting Year (8% of line 5).....	38,100,354
7. Audit or Other Adjustments to Tax on Gross Revenues in Prior Years	12,402
8. Total Taxes on Gross Revenue (the sum of lines 6 and 7).....	38,112,756
9. Total (Deposits) Made for Tax on Reporting Year's Gross Revenue.....	(38,100,354)
Settlement of Prior Years' Tax on Gross Revenue	
10. Resulting from Audit or Other Adjustments - (Deposits) Credits	(12,402)
11. Gross Revenue Taxes Payable (the net of lines 8, 9 and 10)	\$ -

Under penalties of perjury, I declare that I have examined this Gross Revenue Annual Tax Return and to the best of my knowledge and belief, the information contained in this return is accurate.

April 14, 2006

Date



Signature - Mark Sachais

Vice President of Finance

Title of Officer